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Message Text

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40
ACTION AGR-20

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UNCLAS KHARTOUM 1551

E.O. 11652: NA
TAGS: EAGR ETRD SU
SUBJ: 1973/74 COTTON MARKETING

REF: A. KHARTOUM 1333; B. KHARTOUM 1000; C. KHARTOUM 0715

1. SUMMARY AND INTRODUCTION: RECENT CONTACTS WITH COTTON PUBLIC CORPORATION (CPC), GOS ENTITY RESPONSIBLE FOR MARKETING SUDANESE COTTON, INDICATE THAT SOME OF PREVIOUS INFORMATION REPORTED BY EMBASSY ON RESULTS THIS YEAR'S COTTON MARKETING (REFTELS) NOT FULLY ACCURATE. RATHER THAN PRICES IMPROVING FROM FIRST TO SECOND TENDER AS REPORTED REF A, THEY IN FACT DECLINED AND DID SO AGAIN IN CASE THIRD TENDER WHICH CLOSED JUNE 13.

2. PICTURE, AS WE NOW UNDERSTAND IT, AS FOLLOWS:
(A) FIRST TENDER RESULTED IN LONG STAPLE PRICES RANGING FROM 76-93 CENTS PER POUND FROM FREE CURRENCY COUNTRIES (FCC) TO 95-110 CENTS FROM PAYMENT AGREEMENT COUNTRIES (PAC). WHILE EVEN FCC OFFERS WERE HIGHER THAN AVERAGE PRICE OF HUP#CENTS REALIZED ON LAST TENDER 1972/73 SEASON, CPC DISAPPOINTED THAT THEY DID NOT MATCH THOSE FROM PAC. CPC, AS NOTED REF B, THEREFORE HELD BACK SUBSTANTIAL PORTION OF TOTAL QUANTITY OFFERED IN HOPES IMPROVEMENT ON NEXT SALE.
(B) SECOND TENDER, HOWEVER, RESULTED IN OFFERS RANGING ONLY FROM 74-84 CENTS FROM FCC TO 88 TO 90 CENTS FROM
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PAC. DESPITE THESE DISAPPOINTING RESULTS, CPC SOLD

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SOME 90,000 BALES AS NEED FOR FOREIGN EXCHANGE APPARENTLY
PREVENTED FURTHER DELAYS.
(C) ON THIRD TENDER, DESPITE CPC'S APPARENT BELIEF
(REF A) THAT CONDITIONS BETTER, PRICES DIPPED AGAIN
(64-78 FROM FCC AND 79-87 FROM PAC). THIS
COMBINED WITH DROP IN DEMAND RESULTED IN SALE ONLY 33,000
BALES.

3. CPC HAS THEREFORE TO DATE SOLD ONLY SOME 180,000
BALES COTTON OUT OF THIS YEARS CROP OF OVER ONE MILLION
BALES, PERCENTAGE FAR LOWER THAN USUALLY CASE BY END JUNE.
MOREOVER PRICES WELL BELOW THAT CPC/GOS HAD COUNTED
ON. CPC OFFICIALS APPEAR UNCERTAIN AS TO WHEN OR EVEN WHETHER
SITUATION WILL IMPROVE. ONE OF KEYS FROM THEIR POINT OF VIEW
IS STATUS OF US CROP. BUT EVEN IF, AS SOME REPORTS
APPARENTLY INDICATE, US CROP IS LOW, CPC STILL FACES PROBLEMS,
SUCH AS TIGHT CREDIT CONDITIONS IN FCC MARKETS, WHICH ARE
WORKING AGAINST BONANZA COTTON MARKETING SEASON WHICH
HAD BEEN ANTICIPATED.

4. COMMENT: IN SHORT RUN, DIFFICULTIES IN COTTON MARKETING
PLAYING MAJOR ROLE IN EXTREME SHORTAGE OF FOREIGN
EXCHANGE FACED BY SUDAN. SINCE GOVERNMENT ALSO HAVING
DIFFICULTY IN GETTING OTHER EXPORT GOODS TO PORT (BOTH DUE
USUAL TRANSPORTATION BOTTLENECK AS WELL AS INTERNAL MARKETING
PROBLEMS), BANK OF SUDAN IS SIMPLY NOT RECEIVING
INPUTS OF HARD CURRENCY NORMALLY EXPERIENCED AT THIS TIME
OF YEAR. OVER LONG HAUL, PROBLEM MAY WELL RESOLVE
ITSELF. IN TERMS COTTON PRICES, IMF, IN FORECASTING
GOOD BALANCE OF PAYMENTS POSITION FOR SUDAN, USED
AVERAGE PRICE FOR LONG STAPLE COTTON OF ONLY 67 CENTS. THUS
PRICES CAN SLIP EVEN LITTLE BIT FURTHER WITHOUT UPSETTING
PROJECTION. DEMAND MAY BE BIGGER PROBLEM, PARTICULARLY IN
THAT GOS WANTS MAKE MAJORITY OF SALES
TO FCC, AND WITH NEED MOVE SUBSTANTIAL AMOUNTS OF
COTTON BEFORE EGYPTIAN PRODUCTION BECOMES AVAILABLE
IN FALL. BUT BOTTOM CLEARLY HAS NOT FALLEN OUT OF
MARKET AND WHILE BUYERS MAY FOR VARIETY REASONS BE
CAUTIOUS, ONE CAN HOPE THAT OVER NEXT TWO MONTHS
SUDANESE COTTON SALES WILL PICK UP. SANDERSON
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NOTE BY OCT: #AS RECEIVED.

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